

DOCKET FILE COPY ORIGINAL



1850 M Street, N.W., 11th Floor  
Washington, D.C. 20036  
Telephone: (202) 828-7453

RECEIVED

AUG 20 1993

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Jay C. Keithley  
Vice President  
Law and External Affairs  
United Telephone Companies

August 20, 1993

Mr. William F. Caton, Acting Secretary  
Federal Communications Commission  
1919 M Street, N.W., Room 222  
Washington, DC 20036

RE: In the Matter of Local Exchange Carrier's Rates, Terms, and  
Conditions for Expanded Interconnection for Special Access  
CC Docket No. 93-162

Dear Mr. Caton:

Attached are the original and seven copies of the Direct Case  
of the United Telephone Companies and Central Telephone Companies  
in the proceeding referenced above.

Sincerely,

A handwritten signature in cursive script that reads "Jay C. Keithley".  
Jay C. Keithley

**Attachments**

pc: Tariff Division, Common Carrier Bureau  
International Transcription Service, Inc.

No. of Copies rec'd  
List ABCDE

017

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

RECEIVED

AUG 20 1993

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of

Local Exchange Carriers' Rates,  
Terms, and Conditions for  
Expanded Interconnection for  
Special Access

CC Docket No. 93-162

Direct Case of  
The United Telephone Companies  
and  
The Central Telephone Companies

JAY C. KEITHLEY  
1850 M Street, N.W.  
Suite 1100  
Washington, DC 20036  
(202) 857-1030

W. RICHARD MORRIS  
P.O. Box 11315  
Kansas City, MO 64112  
(913) 624-3096

August 20, 1993

## TABLE OF CONTENTS

	<u>Page</u>
ISSUES DESIGNATED FOR INVESTIGATION . . . . .	2
A. Rate Levels . . . . .	2
B. Rate Structure . . . . .	12
C. Space Size . . . . .	16
D. Dark Fiber Interconnection . . . . .	17
E. Channel Assignment . . . . .	17
F. Space Warehousing . . . . .	18
G. Termination Notice . . . . .	19
H. Termination Reasons . . . . .	20
I. Termination Due to Catastrophic Loss . . . . .	20
J. Relocation . . . . .	23
K. Insurance . . . . .	25
L. Liability . . . . .	26
M. State/Interstate Billing . . . . .	28
N. Letters of Agency . . . . .	28
O. Cage Inspections . . . . .	29
P. Payment of Taxes . . . . .	30
CONCLUSION . . . . .	31

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

RECEIVED

AUG 20 1993

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of

Local Exchange Carriers' Rates,  
Terms, and Conditions for  
Expanded Interconnection for  
Special Access

)  
)  
)  
)  
)  
)

CC Docket No. 93-162

Direct Case of  
The United Telephone Companies  
and  
The Central Telephone Companies

The United Telephone ("United") and Central Telephone ("Central") companies hereby present their Direct Case to the Commission pursuant to the Expanded Interconnection Investigation Order.<sup>1</sup> United and Central provide responses to those investigation items that apply to them. United and Central have organized their direct case by referring to the outline sequence used by the Commission in the Expanded Interconnection Investigation Order and also provide paragraph references where appropriate.

---

1. In the Matter of Local Exchange Carriers' Rates, Terms, and Conditions for Expanded Interconnection for Special Access, Order Designating Issues for Investigation, ("Expanded Interconnection Investigation Order"), CC Docket No. 93-162, Released July 23, 1993.

## ISSUES DESIGNATED FOR INVESTIGATION

**A. Are the rate levels established in the LECs physical and virtual expanded interconnection tariffs excessive?**

### General Support Requirements (Pars. 15-22)

#### (a) Tariff Review Plan

Tariff Review Plan ("TRP") information in response to this item is provided in both hardcopy and on a disc in LOTUS 1-2-3 computer format. The hardcopy is attached as Exhibit 1. Please note that the United and Central companies did not propose a rate element for the "Termination Equipment Function" described at Page 8, Footnote 47. As described in the footnote, this function includes items of investment contained in the United and Central Electrical Cross-Connection rate element. The Commission describes the ECC function in Footnote 52 on Page 8. The TRP diskette provided by United and Central is populated to include the investment items described as Termination Equipment Function in the Cross-Connection Equipment Function.

#### (b) Itemized Cost Information

1) The Commission is respectfully referred to United and Central's Description and Justification material filed February 16, 1993 under Transmittal Nos. 315 and 217, respectively. This

material fully explains the "annual charge factors" used in the development of SAEI rates and charges. A hard copy of the carrying charge development is included as Exhibit 2.

2) The United and Central companies included investment amounts on a prospective basis for the special access expanded interconnection ("SAEI") tariff elements of DS-1 and DS-3 Electrical Cross Connection and Conduit Space - Per Foot. Investment amounts for all other SAEI tariff elements were on an embedded basis. Depreciable lives for each item of equipment were specified in the cost support provided in the February 16, 1993 SAEI filing.

3) The United and Central companies' labor costs used in the development of nonrecurring charges ("NRCs") reflect wages plus benefits plus loadings. This approach is appropriate in order to recover the total costs associated with a labor function. An NRC developed to reflect only wages would cause those functions to be subsidized by other customers. The benefits and other appropriate loadings would obviously be "spread" over other services of the local exchange carrier ("LEC") and would not match cost causation. Worksheets detailing the development of United and Central's fully loaded labor rates are included as Exhibit 3.

(c) Overhead Cost Information

1) The United and Central companies are submitting the overhead amounts used for each rate element as part of the TRP Supplemental Information included as Exhibit 1. The basis of the overhead amounts are derived through a Part 69 process whereby overhead expense amounts are divided by embedded direct investment amounts. Certain overhead factors vary among expanded interconnection rate elements. This variation is due to the fact that "land and building" overhead amounts were used for the floor space, DC power, and conduit space-fixed rate elements. These rate elements are associated with land and buildings of the company and it is appropriate to use overhead loadings for the investments in land and buildings. All other SAEI rate elements use overhead loadings associated with the special access services provided by the companies.

Under the Commission's Price Cap regulation, overhead amounts are not applied annually as was the case with the previous rate of return annual filings. Therefore, the overheads used for United's generic DS-1 services were last submitted in the 1990 Annual Access Tariff Filing. Overheads for Central's generic DS-1 services were submitted with the 1992 Annual Access Tariff Filing. Since DS-3 services were filed as a new service for the United companies in November 1992, and for the Central companies in July 1991 and February 1993, overhead loadings were provided as a part of those filings. The only reason variances would

occur in overhead loading amounts between DS-1 and DS-3 services would be the result of timing differences. For instance, overhead loading amounts developed for United's DS-1 service in 1990 will differ from overhead amounts used in the DS-3 filing made in November 1992. Since investments and expenses change over a three year period, so do the overhead loading amounts. The United and Central companies believe that if DS-1, DS-3 and SAEI services were filed concurrently, the special access overhead loadings for all rate elements, except those associated with land and buildings, would have been identical.

In order to prevent double recovery of overhead costs from expanded interconnection services, the United and Central companies applied rate adjustment factors ("RAFs") in compliance with the Commission's Order in CC Docket No. 93-162 (DA 93-657), released June 9, 1993. The effects of the RAFs are further illustrated in the Sample Price Outs included as Exhibit 4.

2) The United and Central companies did not utilize "closure factors" for the development of overhead amounts for SAEI.

(d) Sample Price Outs

1) Exhibit 4 provides Sample Price Outs in hardcopy for each United and Central company. The price outs are also provided in LOTUS 1-2-3 computer format.



## Individual Rate Elements

### (e) Nonrecurring Charges for Recurring Costs

1) The United and Central companies did not develop nonrecurring charges based on the present discounted value of recurring costs.

### (f) Floor Space Charges

1) The Commission requires LECs to quantify the difference between the cost at book value (embedded cost) and the cost at market value (current or prospective costs) of land and building associated with central offices that offer expanded interconnection service. Each LEC should provide estimates of the average cost per square foot under each method and justify the method it selected in setting its floor space charges.

As described in the cost support submitted under United Transmittal No. 315 and Central Transmittal No. 217 filed on February 16, 1993, an embedded approach was utilized. The Floor Space investment amount is based on Land and Building investment costs divided by the amount of floor space at the building where SAEI is offered. The land and building investment amounts were obtained from the property records of both companies and are, therefore, an embedded amount which replicates the original investment costs plus additional capital outlays for the

location. The United and Central companies did not identify market value costs, either current or prospective in the development of the SAEI Floor Space tariff element. Given the time constraints in preparing the Direct Case in this proceeding, United and Central were unable to identify the market value (current or prospective) of land and buildings associated with fifty-four locations in the United companies and twenty-four locations in the Central companies located in ten different states.

Estimates of the average cost per square foot for the embedded method used by the United and Central companies is shown on the cost support submitted with Transmittal Nos. 315 and 217, respectively, and is attached as Exhibit 5.

2) Because the United and Central companies did not utilize "market value rental rates," there are no maintenance costs, administrative costs, or other costs added to the market value rental rates.

3) The United and Central companies did not base floor space rates on data from the R.S. Means publication, the BOMA publication, or any other similar publication.

4) The United and Central companies did not base floor space rates on the costs in a sample of central offices.

(g) Power Charges

1) The costs of AC power were not utilized in computing the rates for the DC power tariff element for United and Central.

2) Not applicable to United or Central.

3) Not applicable to United or Central.

(h) Cross-Connection Charges and Termination Equipment Charges

1) The United and Central companies did not include repeaters or associated costs in the development of the cross-connection tariff element.

2) The United and Central companies are using a distributed collocation configuration in the provisioning of the cross-connection function, where a cross-connection arrangement will be provided for each interconnector's location in an office. This approach is desirable from both an engineering and a quality of service to the interconnector perspective. The cross-connection function provides for the connection of the interconnector network to the LEC network. A distributed cross-connection function provides a defined termination point for an interconnector's network and facilitates both the interconnector's and the LEC's access to a point of termination

for maintenance, installation, and testing. By having a dedicated cross-connection arrangement, an interconnector can "pre-wire" its network facilities to the cross-connect and simply place an order with the LEC for connection to the LEC's main distribution frame ("MDF").

Minor cost savings could be realized by using a centralized collocation configuration, because a common cross-connection arrangement could be used for several interconnectors. In doing so, however, the potential exists that interconnectors could have access and knowledge of other interconnectors' arrangements. In addition, there are security problems associated with allowing interconnectors access to sensitive areas of the LEC central office building where the cross-connection function is not located near the the interconnector collocation cage area. The United and Central companies believe that the benefits of a dedicated arrangement, such as "pre-wiring" and access for testing and maintenance, outweigh the minor cost savings which could be realized.

3) The United and Central companies require a relay rack and the appropriate DSX-1 or DSX-3 cross-connect panel for terminating the interconnector's facilities. Recovery of the investment in this equipment is accomplished through the cross-connection rate elements. United and Central do not believe a "POT frame or POT bay" is required. However, a relay rack represents a primary component of the United and Central

companies DS-1 and DS-3 electrical cross-connect tariff elements. The DS-1 and DS-3 cross-connect rate elements define the point of demarcation between the interconnector's and the LEC's networks. The cross-connect function provides a point for both the interconnector and the LEC to provision, test, and maintain the SAEI arrangement. If cross-connection were to be accomplished directly from the interconnector's cage to the LEC MDF, the only method to gain access for testing and maintenance would be to either remove the "hardwired" arrangement from the terminating equipment in the collocater's cage or from the LEC's MDF. This procedure could result in delays for testing and maintenance due to the time needed for identification of facilities or assignment on the LEC MDF or contacting the appropriate interconnector employee to gain access to the terminating equipment in the cage area. The United and Central companies believe that cross-connections directly from the cage to the MDF would be detrimental to the quality of services provided by both parties.

4) Not applicable to United or Central.

(i) Security Charges

1) The tariffs filed by the United and Central companies allow an interconnector's authorized employees access to the interconnector's collocation space during staffed hours, provided that such authorized employees adhere to the LEC's policies and practices pertaining to work stoppages, fire, safety and

security. The United and Central companies' practices pertaining to security require proper identification and a sign-in procedure indicating the times the location is entered and exited. For access to the interconnector's expanded interconnection collocation space, the United and Central companies require that a list of authorized interconnector employees be on file at the central office location and that proper identification be presented by an interconnector's authorized employee. Following compliance with these procedures, authorized employees may access the interconnector's secure collocation area unescorted during normal business hours.

When an interconnector's authorized employees require access to common operational areas such as LEC cable vaults, manholes, and riser facilities or when an interconnector requires access to collocated space in unstaffed offices or during off-hours in the case of an emergency, the United and Central tariffs require a Security Escort, chargeable to the interconnector. The LEC offices where collocation may be provided contain sensitive equipment installations valued at millions of dollars, and the provision of telecommunications services to all users of the LEC facilities are vital to the public. United and Central feel it is unreasonable to allow unescorted individuals in these areas.

(j) Virtual Collocation Rates

- 1) Not applicable to United or Central.

2) Not applicable to United or Central.

3) Not applicable to United or Central.

**B. Are the rate structures established in the LEC's expanded interconnection tariffs reasonable? (Pars. 23-31.)**

(a) The rate structures proposed by the United and Central companies do not contain excessive bundling of rate elements. The United and Central companies' approach to the provisioning of SAEI utilizes a "building block" method. A typical interconnector would only subscribe to those tariff elements necessary to accommodate its SAEI arrangement. A typical interconnector can request that the United and Central companies provide cable vault space, innerduct space (per foot), cable pulling and splicing (per hour), floor space (for locating a cage - per foot), and an electrical cross-connect for connection to the LEC MDF.

The United and Central companies did not bundle cage construction charges with space preparation charges, but handled each as a separate function, because space preparation charges may not be applicable if adequate central office conditioned space is available. In situations where space preparation is required, the United and Central companies will perform this function on a time and material basis. The companies will also

provide cage construction on a time and material basis, however, the interconnector may perform the cage construction function or allow a third party to perform the construction if agreeable to all parties.

The only charge "bundled" into floor space rental by the United and Central companies is standard AC power requirements. This approach is appropriate because to do otherwise will require separate electrical power meters and AC power access to each collocator's cage. Inclusion of the AC power function with the floor space rental is logical because AC power requirements must be available to the entire building. The cost associated with the AC power function is recovered through expenses for the floor space rental tariff element.

(b) LECs should justify the rate structures they have chosen to recover central office construction charges.

1) The United and Central companies' tariffs propose that central office construction charges or "build-out" charges be recovered on a time and material basis. Central office construction charges occur where properly conditioned central office space is unavailable. In most United and Central offices, properly conditioned space is available. In those locations where an interconnector requests space, it is appropriate that the interconnector bear the expense of required central office construction charges. A time and material approach is desirable



because construction costs differ between locations and the amount of construction may vary.

The United and Central companies do not include the present discounted value of future maintenance expenses in nonrecurring construction charges.

2) Where central office construction functions are applicable, the United and Central companies propose to condition five hundred square feet of space. This "build-out" is intended to accommodate five interconnectors for SAEI. Only the portion of the costs for an individual interconnector's SAEI will be passed on to the interconnector. Common construction costs are not charged to the first interconnector, but are charged proportionately to each interconnector. Demand is predicted to be limited in the seventy-eight United and Central offices where SAEI is offered, and is based on demand quantities for existing special access services and the proposal to prepare space where central office conditioned space is unavailable.

(c) Not applicable to United or Central.

(d) The United and Central tariffs do not require partial or total construction nonrecurring charges prior to commencement of the construction work. However, it is reasonable to expect a partial payment prior to commencement of work. If an interconnector abandons its plans to collocate in a central

office after construction has begun, the costs will either be absorbed by the LEC or passed through to other access customers. Passing costs caused by an interconnector through to other access customers is not an equitable solution unless the LEC has alternative uses for the construction.

(e) The United and Central companies propose to provide one 15 amp., 110 volt AC power circuit as the standard connection. Additional AC power will be provided, when available, via an ICB arrangement.

(f) Not applicable to United or Central.

(g) The United and Central tariffs provide that central office "build-out" and cage construction charges be assessed on a time and material basis. No specific tariff charge has been developed for these functions. Performance of these functions on a time and material basis is reasonable due to the geographic diversity of locations where "build-out" or cage construction is requested and the varying amounts of construction required. It is appropriate to charge an individual interconnector based on the actual costs of performing required work. An interconnector will be provided an order of magnitude of costs for the cage construction and may elect to have an independent contractor perform this work. Central office "build-out" costs will be provided to the interconnector prior to construction, however, the company will perform this function.

**C. Are LECs' provisions regarding interconnection space size, expansion and location reasonable? (Pars. 32-36.)**

(a) The United and Central SAEI tariffs do not specify minimum and/or maximum space requirements for initial or subsequent expansion of an interconnector's collocation space. The tariffs provide that interconnectors shall be permitted to occupy 100 square foot increments within the serving wire center building and that smaller increments of space will also be permitted. No restrictions are placed on the amount of collocation space an interconnector may occupy.

(b) Not applicable to United or Central.

(c) United and Central treat orders for additional collocation space in the same manner as initial orders, because the work activities and related costs are virtually identical (e.g., engineering record search and administrative activities required to process the application).

(d) United and Central have no restrictions regarding the provision of contiguous space for expansion or for direct cabling between noncontiguous spaces for the same interconnector.

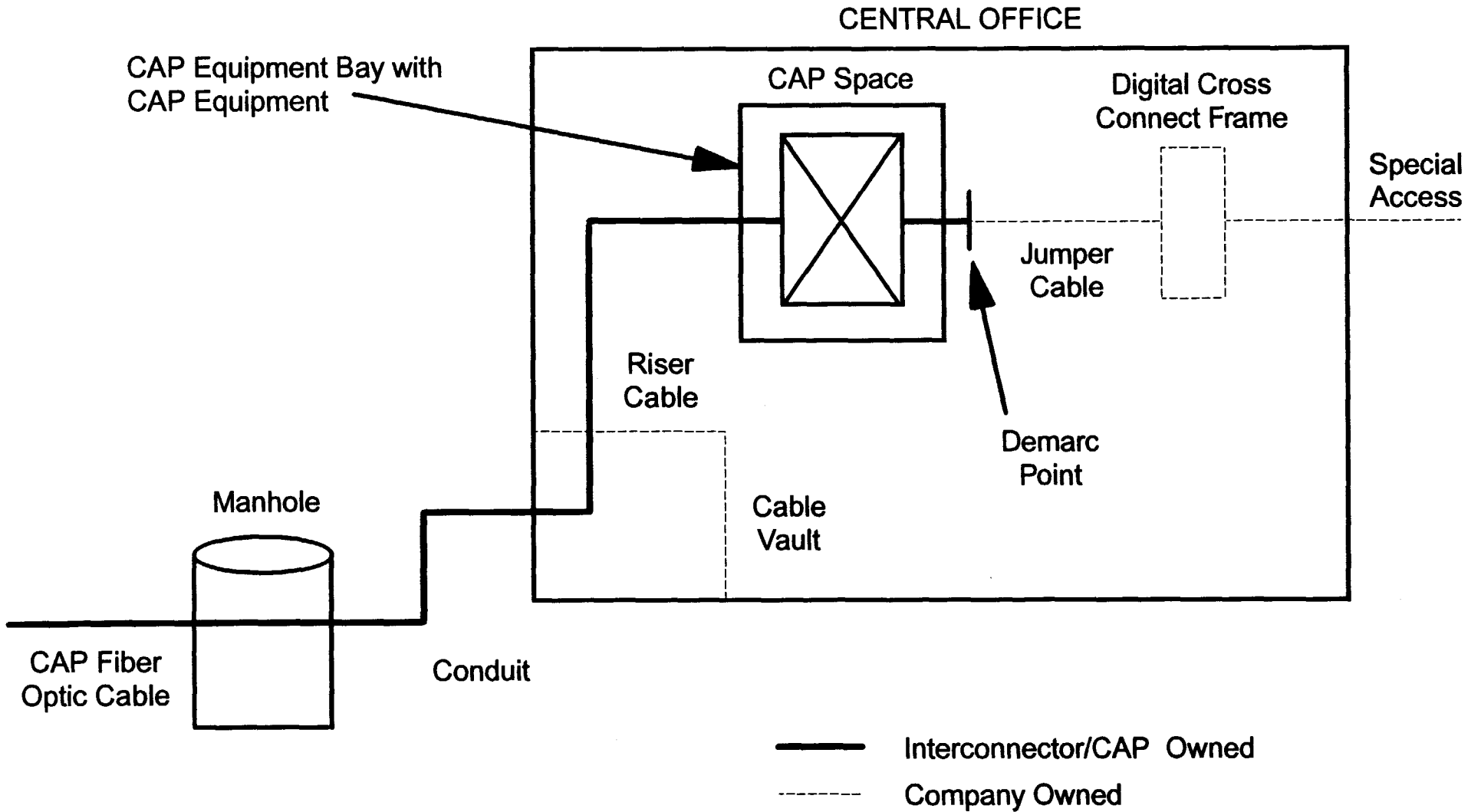
**D. Are LECs' tariff prohibitions against interconnection with dark fiber service consistent with the Special Access Order? (Pars. 37-38.)**

Not applicable to United or Central.

**E. Do the LECs' tariffs prevent interconnector control over channel assignment on the interconnectors' networks and, if so, is such an arrangement unreasonable? (Pars. 39-41.)**

(a) The United and Central tariffs do not restrict an interconnector's ability to make channel assignments on the interconnector's network. United and Central will work cooperatively with the interconnector to ensure proper channel assignment to the company's network. As illustrated on the following diagram, the LEC will establish a demarcation point ("demarc point") adjacent to the interconnector's location. The demarc point is comprised of the DS-1 or DS-3 cross-connect tariff element. The cross-connect component is comprised of a DSX-1 or DSX-3 cross connect panel. The interconnector will be allowed to connect to one side of the arrangement and the LEC will connect to the opposite side. This arrangement allows the interconnector to connect from its cage space to the cross-connect and allows channel assignment in conjunction with the LEC.

# PHYSICAL COLLOCATION



(b) The United and Central companies will make the appropriate connection to the interconnector's channel at the cross-connect. The cross-connect defines the point of termination between the LEC and the interconnector's network. This arrangement does not deprive interconnector's of control over channel assignment on the interconnector's network.

**F. Are the LECs' provisions regarding warehousing or efficient use of space reasonable? (Pars. 42-44.)**

(a) United and Central have no restrictions on the amount of floor space that may be occupied by items such as ancillary equipment or file cabinets in an interconnector's cage.

(b) Central has no set time limit within which an interconnector must become operational.

United requires that the interconnector begin use of the collocated space within six months of the date of application, or other time mutually agreed to by the interconnector and the LEC, or the space must be relinquished. Because collocation space may be limited, the restriction is designed to provide interconnectors a reasonable timeframe in which to become operational while fostering competition by ensuring that collocation space is available to interested interconnectors.

(c) United and Central have no restrictions on renting additional space to an existing interconnector on the grounds that the interconnector has not efficiently used its initial collocation space.

**G. Are the LECs' provisions regarding notice to or from interconnectors in the event of service termination reasonable? (Pars. 45-47.)**

(a) United and Central are required to provide 30 days written notice to interconnectors of the LEC's intention to terminate an interconnection arrangement. The 30 day notice period is reasonable because it is consistent with the notice period applicable to all access services provided by United and Central.

(b) United and Central do not specify a notice period within which an interconnector must notify the LEC of the interconnector's intent to terminate the interconnection arrangement. However, following termination of the interconnection arrangement, the interconnector must remove its equipment from the expanded interconnection collocation space within 30 days. The 30 day equipment removal requirement is consistent with the 30 day notice period required of United and Central.

(c) The requirements set forth in (a) and (b) are consistent with the notice period applicable to other access services provided by United and Central.

**H. Are the LECs' provisions permitting them to terminate a collocation arrangement reasonable? (Pars. 48-50.)**

(a) United and Central reserve the right to terminate an interconnection arrangement in the event the interconnector violates the terms of the tariff. The requirement that an interconnector adhere to the terms and conditions of the tariff is designed to preserve the integrity of the LEC's network and to ensure that all customers are treated in a nondiscriminatory manner.

(b) through (e) Not applicable to United or Central.

**I. Are the LECs' provisions regarding termination of collocation arrangements in the event of a catastrophic loss reasonable? (Pars. 51-54.)**

(a) United and Central do not have provisions in their expanded interconnection policies that govern how soon after a catastrophic loss the LEC will inform interconnectors of the decision whether to repair the damaged facility. United and Central would not object to a 30-day period in which this decision must be made and communicated to customers.



(b) Parties should discuss whether LECs should be required to place language in their tariffs regarding catastrophic loss.

1) United and Central do not believe that tariff language requiring a LEC to provide alternative facilities in the LEC CO within three days of catastrophic damage to collocation space in the CO is reasonable. This requirement assumes that additional, unused space exists in the LEC CO. In many cases, alternative space may not be available and it is unrealistic that such space, if available, could be prepared for occupancy by an expanded interconnector in so short a timeframe.

Further, the LEC should not be held responsible for all damage repairs to collocation space. For instance, an act of God, such as a lightning strike, could cause a fire in the collocation space. A LEC should not be expected to bear the expense of rearrangements and/or relocation in the event of an accident, nor should the LEC be required to repair a customer installed cage damaged from an accident or event beyond the LEC's control. While the LEC may reasonably be expected to repair the building or offer virtual collocation or relocation to another building, LECs should not be required to repair the damaged space without first examining the feasibility of other available options. Barring gross negligence on the part of the LEC, it should not be expected to bear the cost of rearrangement and relocation expenses of an interconnector. This level of risk